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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

Arizona Corporation Commission

DOCKETED

JUL 12 2010

DOCKETED BY

IN THE MATTER OF THE APPLICATION
OF GLOBAL CROSSING
TELECOMMUNICATIONS, INC. FOR
APPROVAL OF A MERGER WITH
GLOBAL CROSSING NORTH AMERICAN
NETWORKS, INC.

DOCKET NOS. T-02438B-10-0124
T-02761B-10-0124

DECISION NO. 71784

ORDER

Open Meeting
June 29 and 30, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On April 2, 2010, Global Crossing Telecommunications, Inc. ("GCTI") and Global Crossing North American Networks, Inc. ("GC NAN") filed an Application of a Notice of merger at the Arizona Corporation Commission ("Commission") in relation to the *pro forma* merger of GC NAN with its affiliate GCTI.

2. GC NAN was incorporated under the laws of the State of Delaware on September 23, 1982. Its principal office is located in New York. GC NAN is a wholly-owned subsidiary of Global Crossing Limited, a publicly traded Bermuda Corporation with affiliates in the United States and several other countries providing telecommunications services. GC NAN was authorized to provide interexchange long distance telecommunications services on April 17, 1997 in Decision No. 60143. GC NAN does not currently provide retail telecommunications services in Arizona and therefore has no retail customers or employees in Arizona. In response to

Staff's First Set of Data Requests, GC NAN indicated that it is certified or authorized to provide interexchange services nationwide, except in the State of Alaska.

3. GCTI was incorporated under the laws of the State of Michigan on April 5, 1989. Its principal office is located in New York. GCTI is also a wholly-owned subsidiary of Global Crossing Limited. GCTI was authorized to provide resold long distance telecommunications services on May 1, 1985 in Decision No. 54505. GCTI currently offers resold intrastate toll telecommunications services in Arizona. In response to Staff's First Set of Data Requests, GCTI indicated that it is an authorized interexchange provider in all fifty states.

4. GCTI provides long distance services to medium and large business customers. Most customers of GCTI have individual account executives who handle all inquiries and other customer needs. While GCTI's toll free telephone number is available for customer inquiries, complaints, and repair, the Company also has a network operations center located at 14605 South 50th Street, Phoenix, Arizona 85044. There are 227 employees at this location. In addition to GC NAN, other certificated Arizona affiliates of GCTI include Global Crossing Local Services, Inc. [Docket No. T-03658A-98-0653] and Global Crossing Telemanagement, Inc. [Docket No. T-03539A-98-0149].

5. GC NAN and GCTI have entered into a planned pro forma merger whereas all the assets of GC NAN will be transferred to GCTI on or about September 30, 2010. At the effective time of the merger, GC NAN will cease to exist. Accordingly, GC NAN requests that its authority to provide interexchange long distance telecommunications services and its Arizona Tariff be cancelled effective the date of consummation of the merger.

6. GC NAN does not provide retail service in Arizona. Therefore, there are no customers who will be affected as a result of this transaction.

7. In the Application, GCTI and GC NAN are seeking approval of the planned pro forma merger.

8. Effective with the consummation date of the merger, GC NAN is also requesting that its Arizona certification and its tariff be cancelled.

...

1 9. In its Responses to Staff Data Request PJG1-14, GC NAN stated that it is
2 requesting a waiver of A.A.C. R14-2-1107(A) relative to issuing a customer notification based on
3 the fact that it has no retail customers in Arizona to notify.

4 10. The Public Utility Holding Companies and Affiliated Interests Rules apply to all
5 Class A investor-owned utilities, defined as telecommunications carriers that have Arizona
6 jurisdictional annual revenues of more than \$1 million. In its 2008 Annual Report filed with the
7 Commission, Global Crossing Telecommunications, Inc. reported that it generated more than \$1
8 million of Arizona jurisdictional revenue. Global Crossing North American Networks, Inc. is not
9 considered a Class A utility. As a result, the Application is subject to A.A.C. R14-2-801 through
10 805 of the Public Utility Holding Companies and Affiliated Interests Rules.

11 11. In response to Staff's First Set of Data Requests, GCTI provided the following
12 information as required by A.A.C. R14-2-803 (A):

- 13 a. The names and business addresses of the proposed officers and directors of the
14 holding company;

15 There are no plans to establish a new holding company. A list of the current
16 officers and directors of GCTI has been provided in response to Staff Data
17 Request PJG1-16. GCTI further indicated that these individuals can be
18 reached at corporate headquarters at 225 Kenneth Drive, Rochester, New
19 York 14623. No changes to the officers or directors are contemplated as a
20 result of the proposed merger.

- 21 b. The business purposes for establishing or reorganizing the holding company;

22 GCTI asserts that there is no plan to either establish a new holding company
23 or to reorganize the existing holding company. The planned transaction
24 involves simply the merger of one long distance subsidiary into another long
25 distance subsidiary as set forth in the filing.

- 26 c. The proposed method of financing the holding company and the resultant capital
27 structure;

28 GCTI has indicated that no financing will be required for the proposed
merger and that there will be no change to the current capital structure.

- d. The resultant effect on the capital structure of the public utility;

GCTI has stated that there will be no change to the current capital structure.

- 1 e. An organization chart of the holding company that identifies all affiliates and their
2 relationships within the holding company;

3 GCTI provided a corporate organizational chart for GCTI and GC NAN
4 labeled as Attachment A in its Responses to Staff's First Set of Data
5 Requests.

- 6 f. The proposed method for allocating federal and state income taxes to the
7 subsidiaries of the holding company;

8 GCTI has stated that the proposed merger will have no impact on the
9 allocation of taxes to the subsidiaries.

- 10 g. The anticipated changes in the utility's cost of service and the cost of capital
11 attributable to the reorganizations;

12 The merger will have no impact on the cost of service for Arizona
13 operations.

- 14 h. A description of diversification plans of affiliates of the holding company; and

15 GCTI has indicated that there are no current plans to diversify in Arizona
16 beyond the business in which GCTI is currently engaged.

- 17 i. Copies of all relevant documents and filings with the United States Securities and
18 Exchange Commission and other federal or state agencies.

19 GCTI has stated that there is no plan to establish a new holding company or
20 reorganize the existing holding company therefore no documents have been
21 filed with any governing body regarding such. With respect to the merger,
22 notifications or petitions have been or will be filed with state regulatory
23 agencies as required. The filings are substantially similar to that filed with
24 the Commission. Internal corporate reorganizations do not require prior
25 approval by the Federal Communications Commission ("FCC") and
26 therefore no filing has been made. Post transaction notifications will be
27 submitted to the FCC and state agencies as required.

- 28 j. The contemplated annual and cumulative investment in each affiliate for the next
five years, in dollars and as a percentage of projected net utility plant, and an
explanation of the reasons supporting the level of investment and the reasons this
level will not increase the risks of investment in the public utility.

The merger will not affect investment in any Global Crossing Limited
Affiliate.

- k. An explanation of the manner in which the utility can assure that adequate capital
will be available for the construction of necessary new utility plant and for

improvements in existing utility plant at no greater cost than if the utility or its affiliate did not organize or reorganize a public utility holding company.

Global Crossing Limited will be able to attract capital on equally favorable terms following the merger. Adequate capital will continue to be available for construction or improvements at no greater cost than today.

12. GCTI has stated in its Responses to Staff's First Set of Data Requests that no residents or businesses located in any Arizona County will be affected as a result of this Application. The planned merger of GC NAN into GCTI is an internal reorganization that will have no effect on rates, terms or conditions of service to GCTI's business customers. There will be no changes in the debt structure of GCTI as a result of the planned merger. Following the completion of the merger, GC NAN will no longer exist.

13. There is no immediate impact expected on GCTI's financial operations as a result of the planned merger. The merger will result in eventual cost savings relating to regulatory compliance and taxes, but there is no contemplated impact on overall investment. Based on the information provided, Staff believes GCTI has complied with the requirements of A.A.C. R14-2-803(C) and 804(C).

14. GCTI is in compliance with Decision No. 54505 in which the Commission granted authorization to GCTI to provide resold long distance telecommunications services in Arizona. GC NAN is in compliance with Decision No. 60143 in which the Commission granted authorization to GC NAN to provide interexchange long distance telecommunications services in Arizona.

15. In regards to what effect the merger will have on GCTI's overall investment in Arizona, GCTI has indicated that the merger will result in eventual cost savings related to regulatory compliance and taxes, but there is no contemplated impact on overall investment.

16. GCTI has stated that it does not foresee any Arizona workforce layoffs resulting from the merger nor does it contemplate any Arizona plant or facility closings as a result of the merger.

17. As supported by the information previously provided, Staff believes that the proposed merger will not impair the financial status of Global Crossing Limited's Affiliates nor

1 prevent Global Crossing Limited's ability to attract capital at fair and reasonable terms and to
2 provide safe, reasonable, and adequate service.

3 18. Pursuant to A.A.C. R14-2-805, GCTI is up to date with filing its 2009 annual
4 diversification activities and plans.

5 19. Since GC NAN has no customers in Arizona to notify or transfer and no residents
6 or businesses in any Arizona County that will be affected as a result of this Application, there are
7 no plans to publish a legal notice.

8 20. The Consumer Services Section reports no complaints in Arizona against GCTI in
9 2007, 2009, and 2010. One telemarketing complaint was reported in 2008. GCTI also reports no
10 outstanding or unresolved consumer complaints, relevant proceedings, or issues in Arizona or any
11 of the other states in which GCTI is providing service. The Corporations Division has indicated
12 that GCTI and GC NAN are in good standing. The Compliance Section also states there are no
13 delinquencies.

14 21. Staff is not aware of any concerns or objections filed by any entity or individual.
15 Staff reviewed the Application and supplemental filings, and considered all responses to Staff's
16 data requests.

17 22. Staff recommends that the Application of GCTI in relation to the acquisition of GC
18 NAN by GCTI be approved pursuant to the Public Utility Holding Companies and Affiliated
19 Interests Rules A.A.C. R14-2-801 et seq.

20 23. Staff recommends that, effective the date of consummation of the merger, that
21 Global Crossing North American Networks, Inc.'s Certificate of Convenience and Necessity and
22 tariff associated with providing interexchange long distance telecommunications services in
23 Arizona be cancelled.

24 24. Because Global Crossing North American Networks, Inc. has no customers and no
25 residents or businesses located in any Arizona County that will be affected as a result of
26 Commission approval of this Application, Staff recommends that the noticing requirements of
27 A.A.C. R14-2-1107 be waived.

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25. Staff also recommends that the Application be approved because Staff believes this

- a. impair the financial status of the Applicants;
- b. prevent the Applicants' ability to attract capital at fair and reasonable terms;
- c. prevent the Applicants' ability to provide safe, reasonable and adequate service;
- d. adversely affect customers.

26. Staff further recommends that approval be conditioned on the following:

- a. That GTCI provides notice to the Commission within 30 days following the merger close proposed in this transaction.
- b. That for one year following the merger close or until GCTI informs the Commission by filing an affidavit with Docket Control that merger-related activities are completed, whichever occurs last, GCTI provide written notification to Docket Control and to the individual members of the Commission, at least 60 days in advance, of any planned merger-related Arizona workforce layoffs; any planned merger-related Arizona plant closings; and any planned merger-related Arizona facility closings.

CONCLUSIONS OF LAW

1. GCTI and GC NAN are public service corporations within the meaning of Article XV of the Arizona Constitution and A.R.S. §§40-281 and 40-282.

2. The Commission has jurisdiction over GCTI, GC NAN, and the subject matter in this filing.

3. The Commission, having reviewed the filing and Staff's Memorandum dated June 9, 2010, concludes that it is in the public interest to approve the Application pursuant to the Public Utility Holding Companies and Affiliated Interests Rules, A.A.C. R14-2-801 et seq.

ORDER

IT IS THEREFORE ORDERED that the Application of Global Crossing Telecommunications, Inc. and Global Crossing North American Networks, Inc. for approval of the planned *pro forma* merger whereby Global Crossing Telecommunications, Inc. will acquire the assets of Global Crossing North American Networks, Inc. in Arizona is hereby approved.

IT IS FURTHER ORDERED that the Application of Global Crossing North American Networks, Inc. to cancel its Certificate of Convenience and Necessity for interexchange long

1 distance telecommunications services shall be, and hereby is, granted, subject to the provisions
2 contained herein.

3 IT IS FURTHER ORDERED that the cancellation of the Certificate of Convenience and
4 Necessity held by Global Crossing North American Networks, Inc. shall be effective with the
5 consummation date of the merger proposed in this transaction.

6 IT IS FURTHER ORDERED that the customer and legal notice requirements of A.A.C.
7 R14-2-1107, shall be waived, based on information provided that Global Crossing North American
8 Networks, Inc. has no customers in Arizona to notify, Global Crossing North American Networks,
9 Inc. has no employees in Arizona, and that no residents or businesses in any county of Arizona
10 will be affected as a result of this transaction.

11 IT IS FURTHER ORDERED that upon cancellation of Global Crossing North American
12 Networks, Inc.'s Certificate of Convenience and Necessity, Global Crossing North American
13 Networks, Inc. shall no longer be authorized to provide interexchange long distance
14 telecommunications services in Arizona and therefore, shall no longer be subject to the
15 requirements of Decision No. 60143.

16 IT IS FURTHER ORDERED that Global Crossing North American Networks, Inc.'s tariff
17 associated with providing interexchange long distance telecommunications services in Arizona that
18 is on file with the Commission, shall be, and hereby is cancelled, effective with the consummation
19 date of the merger proposed in this transaction.

20 IT IS FURTHER ORDERED that Global Crossing Telecommunications, Inc. provide
21 notice to the Commission within 30 days following the merger close proposed in this transaction.

22 IT IS FURTHER ORDERED that for one year following the merger close or until GCTI
23 informs the Commission by filing an affidavit with Docket Control that merger-related activities
24 are completed, whichever occurs last, Global Crossing Telecommunications, Inc. provide written

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notification to Docket Control and to the individual members of the Commission, at least 60 days in advance, of any planned merger-related Arizona workforce layoffs; any planned merger-related Arizona plant closings; and any planned merger-related Arizona facility closings.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN


COMMISSIONER


COMMISSIONER


COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 12th day of July, 2010.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EGJ:PJG:lhM\MAS

SERVICE LIST FOR: GLOBAL CROSSING TELECOMMUNICATIONS, INC. AND
GLOBAL CROSSING NORTH AMERICAN NETWORKS, INC.

DOCKET NOS. T-02438B-10-0124 AND T-02761B-10-0124

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